

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MONROE COUNTY WATER)	
DISTRICT FOR APPROVAL TO ENTER INTO A)	
LEASE AGREEMENT WITH THE KENTUCKY)	
ASSOCIATION OF COUNTIES LEASING)	
TRUST IN AN APPROXIMATE PRINCIPAL)	CASE NO.
AMOUNT OF \$2,175,000 FOR THE PURPOSE)	2017-00058
OF REFINANCING CERTAIN OUTSTANDING)	
OBLIGATIONS OF THE MONROE COUNTY)	
WATER DISTRICT)	

ORDER

On February 1, 2017, Monroe County Water District ("Monroe District") filed an application seeking authorization to enter into a Lease Agreement with the Kentucky Association of Counties Finance Corporation ("KACOF") to borrow approximately \$2,175,000 to refinance seven outstanding debt obligations of Monroe District. By letter dated February 8, 2017, the Commission notified Monroe District that its application was rejected because it contained certain filing deficiencies. On February 15, 2017, Monroe District submitted information to correct the outstanding filing deficiencies, and the application was deemed filed as of that date. No party has sought to intervene in this proceeding. Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Monroe District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 3,438 customers in Monroe County, Kentucky.¹

2. KACOFC is a bond issuing corporation established by parties to an Interlocal Cooperation Agreement (“Interlocal Agreement”). KACOFC is managed by the Kentucky Association of Counties, and Monroe District is a party to the Interlocal Agreement.²

3. Monroe District proposes to execute a Lease Agreement with KACOFC to borrow \$2,175,000. The proposed lease will have a 26-year term subject to interest rates that will vary from 2.0 percent to 4.25 percent per annum.³

4. Monroe District proposes to use the proceeds from the KACOFC Lease Agreement to fully refund the outstanding Water Revenue Bonds, Series 1978 (“Series 1978”);⁴ Water Revenue Bonds, Series 1987 (“Series 1987”);⁵ Water Revenue Bonds, Series 1990 (“Series 1990”);⁶ Water Revenue Bonds, Series 1992 (“Series 1992”);⁷

¹ *Annual Report of Monroe County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2015* at 12 and 53.

² Application at 1.

³ *Id.* Exhibit A, Estimated Debt Service.

⁴ The case approving this financing predates the Commission’s docket system.

⁵ Case No. 9589, *Application of Monroe County Water District of Monroe County, Kentucky, for Approval of Construction and Financing* (Ky. PSC May 6, 1994).

⁶ Case No. 90-125, *Application of Monroe County Water District of Monroe County, Kentucky, for an Order Approving Construction Financing and a Certificate of Public Convenience and Necessity* (Ky. PSC Jun 13, 1990).

⁷ Case No. 92-093, *Application of Monroe County Water District of Monroe County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023 of the Kentucky Revised Statutes* (Ky. PSC Mar 24, 1992).

Water Revenue Bonds, Series 1994 (“Series 1994”);⁸ Water Revenue Bonds, Series 1998 (“Series 1998”);⁹ and Water Revenue Bonds, Series 2003 (“Series 2003”)¹⁰ (collectively “Outstanding Revenue Bonds”).

5. Approximately \$43,000 of the Series 1978 remains outstanding as of December 31, 2015. The interest rate for these bonds is 5 percent per annum.¹¹

6. Approximately \$204,000 of the Series 1987 remains outstanding as of December 31, 2015. The interest rate for these bonds is 5 percent per annum.¹²

7. Approximately \$497,000 of the Series 1990 remains outstanding as of December 31, 2015. The interest rate for these bonds is 5 percent per annum.¹³

8. Approximately \$314,500 of the Series 1992 remains outstanding as of December 31, 2015. The interest rate for these bonds is 5 percent per annum.¹⁴

9. Approximately \$392,000 of the Series 1994 remains outstanding as of December 31, 2015. The interest rate for these bonds is 4.5 percent per annum.¹⁵

⁸ Case No. 94-148, *In the Matter of the Application of Monroe County Water District of Monroe County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to The Provisions of KRS 278.023* (Ky. PSC May 6, 1994).

⁹ Case No. 98-258, *In the Matter of the Application of Monroe County Water District of Monroe County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to The Provisions of KRS 278.023* (Ky. PSC May 27, 1998).

¹⁰ Case No. 2003-00108, *Application of Monroe County Water District of Monroe County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to KRS 278.023* (Ky. PSC Apr 4, 2003).

¹¹ Application, Exhibit E, Existing Obligations.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

10. Approximately \$393,000 of the Series 1998 remains outstanding as of December 31, 2015. The interest rate for these bonds is 4.5 percent per annum.¹⁶

11. Approximately \$451,000 of the Series 2003 remains outstanding as of December 31, 2015. The interest rate for these bonds is 4.5 percent per annum.¹⁷

12. Monroe District estimates that it will expend \$2,192,438 to refund the Outstanding Revenue Bonds.¹⁸

13. Monroe District estimates that its proposed refinancing of the Outstanding Revenue Bonds will result in total savings of \$112,096, but Monroe District did not provide an estimate of any net present value savings.¹⁹

14. Monroe District's proposed Lease Agreement is for a lawful object within its corporate purpose, is reasonably necessary, appropriate for and consistent with the proper performance of its service to the public, will not impair Monroe District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Monroe District is authorized to enter into a Lease Agreement with KACOFC to borrow no more than \$2,175,000 for the purpose of refunding the Outstanding Revenue Bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* Exhibit B Sources and Uses. Uses of Funds: \$38,062 (Total Underwriters Discount) + \$43,450 (Costs of Issuance) = \$2,110,107 (Deposit to Current Refunding Fund) = \$818 (Rounding Amount) = \$2,192,438. Sources of Funds: \$2,175,000 (Par Amount of Bonds) + \$17,438 (Reoffering Premium) = \$2,192,438.

¹⁹ *Id.*, Exhibit C, Debt Service for Prior Obligations.

2. Monroe District shall request prior Commission authorization if the actual principal amount of the lease is greater than the \$2,175,000 that is authorized herein.

3. Monroe District shall, within 30 days of executing the Lease Agreement, file with the Commission amortization schedules and workpapers showing the actual gross savings and net present value savings that resulted from the refinancing of the Outstanding Revenue Bonds.

4. Within 30 days of executing the proposed Lease Agreement, Monroe District shall file a copy of the executed Lease Agreement and any documents referenced in the executed Lease Agreement that Monroe District has not previously filed with the Commission.

5. The proceeds from the Lease Agreement shall be used only for the lawful purposes specified in Monroe District's application.

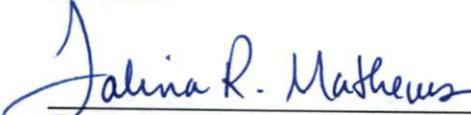
6. Any documents filed pursuant to ordering paragraphs 3 and 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission

ENTERED
MAR 22 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

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